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Date:
August 14, 2013

LEGEND

Taxpayer =

PRS 1 =

PRS 2 =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

Sub 7 =

Sub 8 =

Sub 9 =

Sub 10	=
Sub 11	=
Sub 12	=
<u>a</u>	=
<u>b</u>	=
<u>c</u>	=
<u>d</u>	=
<u>e</u>	=
Year 1	=
Year 2	=
Year 3	=
Year 4	=
Date 1	=
Date 2	=
Date 3	=
Date 4	=
Country A	=
Exchange	=
Junior Debt	=

Senior Debt =

.

Sub 2 Loan =

Sub 8
Intercompany
Debt =

Merger =

Dear Mr. :

This letter responds to a May 8, 2013 request for rulings on certain federal income tax consequences of a series of proposed transactions (the “Proposed Transaction”). The information submitted in that request and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

SUMMARY OF FACTS

Unless otherwise indicated, all entities referred to herein are organized in Country A and are treated as corporations for federal income tax purposes.

Taxpayer, a “United States person” within the meaning of section 7701(a)(30)(A), indirectly owns a% of PRS 1, an entity treated as a partnership for federal income tax

purposes. PRS 1 owns all the outstanding interest in Sub 1, an entity that is disregarded from its owner for federal income tax purposes. Sub 1 owns all the outstanding interests in Sub 2. Sub 2 owns all the outstanding interest in Sub 3 and Sub 4, both entities that are disregarded from its owner for federal income tax purpose. Sub 2 also owns certain assets and b% of PRS 2, an entity treated as a partnership for federal income tax purposes (together, the “Additional Assets”). Sub 3 owns all the equity interests in Sub 5 and Sub 9, a newly formed entity that is disregarded from its owner for federal income tax purposes. Sub 1 and Sub 4 own c% and d%, respectively of Sub 6. The remainder of the outstanding Sub 6 stock is widely held and traded on the Exchange. Sub 5 owns all the outstanding stock of Sub 7 and Sub 8. Sub 7 owns the remaining interest in PRS 2.

Sub 1 is the obligor on Junior Debt due to third party lenders. Sub 2 is the obligor on Senior Debt due to third party lenders. Sub 2, Sub 5, Sub 7, and Sub 8 are parties to an internal financing arrangement for which Sub 8 is the obligor on the Sub 8 Intercompany Debt due to Sub 5, and prior to the Proposed Transaction, Sub 2 was the obligor on the Sub 2 Loan due to Sub 8.

Prior to the Proposed Transaction, each of Sub 2, Sub 5, Sub 7, and Sub 8 is a controlled foreign corporation within the meaning of section 957(a). During Year 1, Year 2, Year 3, and Year 4, Sub 2, Sub 5, Sub 7, and Sub 8 were involved in transactions subject to section 367. In connection with these transactions, Taxpayer filed (or in the case of Year 4, will file) gain recognition agreements under section 367(a) and Treas. Reg. § 1.367(a)-8 (the “Historic GRAs”).

PROPOSED TRANSACTION

The following steps have occurred or will occur (together, the “Proposed Transaction”):

- (1) Effective on Date 1 (the “Effective Date”), Sub 7 and Sub 8 each elected under Treas. Reg. § 301.7701-3(c) (the “Check the Box Elections”) to be classified as an entity disregarded from its sole owner for federal income tax purposes (the “Liquidations”).
- (2) On Date 2, Sub 7 formed Sub 10, an entity that elected to be treated as disregarded from its owner for federal income tax purposes. Sub 7 transferred assets to Sub 10, including an e% interest in PRS 2.
- (3) On Date 2, Sub 8 formed Sub 11 and Sub 12 and each elected to be treated as disregarded from its owner for federal income tax purposes. Sub 8 transferred assets to Sub 11 and Sub 12.
- (4) On Date 3, Sub 2 transferred the Additional Assets to Sub 3 and Sub 3 assumed the Senior Debt and a portion of the Sub 2 Loan. Sub 3 will assume the balance of the Sub 2 Loan prior to step (5).

For federal income tax purposes, steps (2), (3), and (4) are transactions between the sole owner and an entity that is disregarded.

(5) Sub 3 will make an election under Treas. Reg. §301.7701-3(c) to change its classification to a corporation for federal income tax purposes (the “Sub 3 Election”). As of the effective date of the Sub 3 Election, (i) Sub 3 will be deemed to assume the Sub 2 Loan and Senior Debt (collectively, the “Debt Assumption”) from Sub 2 and (ii) Sub 2 will be deemed to transfer the Additional Assets to Sub 3. The amount of the Debt Assumption is greater than the fair market value of the Additional Assets.

(6) Sub 9 and Sub 5 will engage in the Merger (with the Sub 3 Election, the “Reorganization”).

The Sub 3 Election will be effective no more than one day before the Merger.

(7) Depending on market conditions, Sub 1 may transfer some or all of its Sub 6 stock to Sub 4 in exchange for a note (the “Sub 4 Note”) equal to the fair market value of the Sub 6 stock transferred (the “Sub 6 Stock Transfer”).

(8) Depending on market conditions, Sub 1 may transfer the Sub 4 Note to Sub 3 in exchange for Sub 3 stock, debt or other securities (the “Sub 4 Note Exchange”).

REPRESENTATIONS

The following representation has been made in connection with the Proposed Transaction:

(a) With respect to any existing GRAs entered into by Taxpayer in connection with a prior transfer of stock or securities, Taxpayer will, to the extent required under Treas. Reg. § 1.367(a)-8 as a result of the Proposed Transaction, enter into new GRAs as described in Treas. Reg. §1.367(a)-8(c)(5), and will comply with the notification requirements thereunder.

The following representations have been made regarding the Liquidations:

(b) On Date 1 and at all times until the final liquidating distribution is deemed completed, Sub 5 was the owner of all the outstanding stock of Sub 7 and Sub 8.

(c) No shares of Sub 7 or Sub 8 have been redeemed during the three years preceding Date 1.

(d) All deemed distributions from Sub 7 to Sub 5 and from Sub 8 to Sub 5 pursuant to the deemed plan of complete liquidation were made within a single taxable year.

(e) As of Date 1, as a result of the Check the Box Elections, Sub 7 and Sub 8 ceased to be a going concern for federal income tax purposes.

(f) Sub 7 and Sub 8 were deemed for federal income tax purposes to retain no assets following the Check the Box Elections.

(g) Except for a contribution of shares by PRS 1 to Sub 8 on Date 4, in the three years prior to Date 1 other than through deemed or actual liquidations of wholly-owned direct subsidiaries, neither Sub 7 nor Sub 8 acquired assets in a nontaxable transaction.

(h) Prior to Date 1, no assets of Sub 7 or Sub 8 were disposed of by either Sub 7 or Sub 8 except for (i) dispositions in the ordinary course of business and (ii) dispositions occurring more than three years prior to Date 3, with the exception of a sale by Sub 8 of its shares in an entity to a disregarded entity of PRS 1 in Year 2.

(i) Except for the Reorganization, the Liquidations were not preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation of any of the assets of Sub 7 or Sub 8, if persons holding, directly or indirectly, more than twenty percent in value of the Sub 7 or Sub 8 stock were also holding, directly or indirectly more than twenty percent in value of the stock in the recipient corporation. For purposes of this representation, ownership was determined by the application of the constructive ownership rules of section 318(a) as modified by section 304(c)(3).

(j) Prior to Date 1, no assets of either Sub 7 or Sub 8 were distributed in-kind, transferred, or sold to Sub 5, except for (i) transactions occurring in the normal course of business and (ii) transactions occurring more than three years prior to Date 1.

(k) Prior to Date 1, Sub 7 and Sub 8 reported all earned income represented by assets that were deemed distributed to Sub 5 such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.

(l) The fair market value of the assets of each of Sub 7 and Sub 8 exceeded each of their respective liabilities on Date 1.

(m) Except for the Sub 8 Intercompany Debt, there was no intercorporate debt existing between Sub 5 and Sub 7 or Sub 5 and Sub 8 and no debt has been cancelled, forgiven, or discounted, except for transactions that occurred more than three years prior to Date 1.

(n) There is no plan or intention to undertake any action (e.g., an election to treat Sub 7 or Sub 8 as an association taxable as a corporation for federal income tax purposes under Treas. Reg. §301.7701 or to convert Sub 7 or Sub 8 to a *per se* entity as defined in those regulations) and no other circumstances exist (e.g., the existence of a second regarded owner) that prevents either Sub 7 or Sub 8 from being treated as an

entity disregarded from the owner of its stock for federal income tax purposes under Treas. Reg. §§ 301.7701-2 and 301.7701-3.

(o) Sub 5 is not an organization that is exempt from federal income tax under section 501 or any other provision of the Code.

(p) Neither Sub 7 nor Sub 8 engaged in a US trade or business on or prior to the Liquidations.

(q) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the Liquidations have been fully disclosed.

(r) Neither Sub 7 nor Sub 8 distributed any US real property interest (as defined in Treas. Reg. § 1.897-1(c)) in the Liquidations.

(s) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be met with respect to the Liquidations.

The following representations have been made regarding the Reorganization:

(t) The fair market value of the Sub 3 stock deemed to be received by Sub 2 in the Reorganization will be approximately equal to the fair market value of the Sub 5 stock deemed surrendered.

(u) Immediately following the Reorganization, Sub 2 will own all of the outstanding Sub 3 stock and will own such stock by reason of its ownership of Sub 5 stock immediately prior to the Reorganization.

(v) Sub 3 (or any person related to Sub 3) has no plan or intention to reacquire any of its stock deemed issued in the Reorganization

(w) All of the proprietary interest in Sub 5 will be deemed exchanged for Sub 3 stock and will be preserved within the meaning of Treas. Reg. §1.368-1(e).

(x) As a result of the Reorganization, Sub 2 will be deemed to receive all of the Sub 3 stock in the Reorganization and no payment of cash in lieu of any of the outstanding Sub 3 stock (fractional or otherwise) will occur.

(y) At the time of the Reorganization, Sub 5 will not have outstanding any warrants, options, convertible securities, or any other type of right pursuant to which any person could acquire stock in Sub 5.

(z) Throughout the 12-month period ending immediately before the Reorganization is effective, Sub 5 will not have acquired any asset in any actual or deemed transaction that was nontaxable for federal income tax purposes (e.g., a reorganization described in section 368(a)), other than in the Liquidations described above.

(aa) Throughout the 12-month period ending immediately before the Reorganization is effective, Sub 5 will not have disposed of any of its assets, except for dispositions in the ordinary course of business.

(bb) Sub 5 is not and will not be at the time of the Proposed Transaction under the jurisdiction of a court in a Title 11 or similar case within the meaning of section 368(a)(3)(A).

(cc) Once the Sub 3 Election is effective, Sub 3 will be validly organized, and in good standing under applicable Country A law, and classified as a corporation for federal income tax purposes in accordance with Treas. Reg. §301.7701-2(b).

(dd) Except for the Sub 4 Note Exchange, there is no plan or intention in connection with the Reorganization for Sub 3 to issue any additional Sub 3 stock, or to redeem or reacquire any Sub 3 stock.

(ee) Immediately following the Reorganization, and except for the Additional Assets and the Debt Assumption, Sub 3 will be deemed to possess the same assets and liabilities as those possessed by Sub 5 immediately before the Reorganization is effective.

(ff) The liabilities of Sub 5 deemed assumed by Sub 3 in the Reorganization plus the liabilities, if any, to which the transferred assets are subject were incurred by Sub 5 in the ordinary course of business and will have been associated with the assets deemed transferred.

(gg) Sub 3 has no plan or intention to sell or otherwise dispose of any of the assets of Sub 5 deemed to be acquired in the Reorganization, except for dispositions made in the ordinary course of business or transfers allowed under section 368(a)(2)(C) and the regulations thereunder.

(hh) In the Reorganization, Sub 3 will be deemed to acquire substantially all of the assets held by Sub 5 immediately prior to the Reorganization. For purposes of this representation, amounts paid by Sub 5 to shareholders who receive cash or other property, amounts used by Sub 5 to pay its reorganization expenses, and all redemptions and distributions (except for regular, normal dividends) made by Sub 5 immediately preceding the Reorganization were included as assets of Sub 5 held immediately prior to the Reorganization.

(ii) Following the Reorganization, Sub 3 (or members of its qualified group, as defined in Treas. Reg. §1.368-1(d)(4)(ii)), will continue the historic business of Sub 5 or will use a significant portion of Sub 5's historic business assets in a business.

(jj) There is no plan or intention to undertake any action (e.g., an election to treat Sub 9 as an association taxable as a corporation for federal income tax purposes under

Treas. Reg. §301.7701 or to convert Sub 9 to a *per se* entity as defined in those regulations), and no other circumstances exist (e.g., the existence of a second regarded owner) that prevents Sub 9 from being treated as an entity disregarded from the owner of its stock for federal income tax purposes under Treas. Reg. §§ 301.7701-2 and 301.7701-3.

(kk) The fair market value of the assets of Sub 5 will exceed the amount of its liabilities immediately before the Reorganization (including any liabilities that are cancelled, extinguished, or assumed (as determined under Section 357(d)) in connection with the Reorganization). The fair market value of the assets of Sub 3 will equal or exceed the amount of its liabilities immediately after the Reorganization.

(ll) There will be no intercorporate indebtedness existing between Sub 3 and Sub 5 that was or will be issued, acquired, or to be settled at a discount in connection with the Reorganization.

(mm) Sub 2 and Sub 3 intend to each pay their respective expenses, if any, incurred in connection with the Reorganization.

(nn) No two parties to the Reorganization are investment companies as defined in section 368(a)(2)(F)(iii) and (iv).

(oo) None of the assets held by Sub 5 constituted a “United States Real Property Interest” as defined under section 897(c)(1)(A).

(pp) Except for the Historic GRAs, the outstanding equity interest of any subsidiary stock or assets of Sub 5 were not subject to any other gain recognition agreements under section 367(a) immediately before the Reorganization is effective.

(qq) Immediately before the Reorganization, Sub 5 was a controlled foreign corporation within the meaning of Section 957(a).

(rr) Immediately after the Reorganization, Sub 3 will be a controlled foreign corporation within the meaning of Section 957(a).

(ss) Each person that was a section 1248 shareholder (within the meaning of Treas. Reg. §1.367(b)-2(b)) of Sub 5 immediately before the Reorganization will be a section 1248 shareholder of Sub 3 immediately after the Reorganization.

(tt) The Reorganization will not be an exchange described in Treas. Reg. §1.367(b)-4(b)(1)(i), (b)(2)(i), or (b)(3).

(uu) At the time of the Reorganization, the foreign transferor of the assets (treated as Sub 5) will not have effectively connected earnings and profits (within the meaning of section 884(b)(2)(ii) or (d)).

(vv) All requirements under section 367 will be complied with respect to the Reorganization, including filing any applicable section 367(b) notices under Treas. Reg. §1.367(b)-1(c), and certifications under Treas. Reg. §1.367(a)-8(g).

(ww) Before the Reorganization, Sub 5 was not a passive foreign investment company (a "PFIC") within the meaning of section 1297(a). Immediately after the Reorganization, Sub 3 will not be a PFIC within the meaning of section 1297(a).

The following representations have been made regarding the deemed transfer of the Additional Assets to Sub 3 and the Debt Assumption as a result of the Sub 3 Election.

(xx) The Senior Debt and the Sub 2 Loan are treated as debt for federal income tax purposes.

(yy) Except for the Debt Assumption, Sub 3 will not issue any consideration to Sub 2 in exchange for the Additional Assets.

(zz) The Debt Assumption in excess of the value of the Additional Assets will be assumed by Sub 3 in recognition of Sub 2's capacity as a shareholder of Sub 3.

(aaa) Sub 2 will recognize any gain realized with respect to the Additional Assets exchanged with Sub 3 under section 1001(c) and any loss will be deferred under section 267(f)(2).

(bbb) A pro rata share of any subpart F income (within the meaning of section 952) resulting from the deemed transfer of the Additional Assets will be included in the gross income of each US shareholder of Sub 2 (within the meaning of section 951(b)).

The following representations have been made regarding the Sub 6 Stock Transfer:

(ccc) At the time of the Sub 6 Stock Transfer, the value of the Sub 6 shares transferred by Sub 1 to Sub 4 will be equal to the Sub 4 Note received therefor.

(ddd) The Sub 4 Note will be treated as debt for federal income tax purposes.

(eee) At the time of the Sub 6 Stock Transfer, there is no plan or intention for PRS 1 or any other related person to own or acquire sufficient stock in an amount equal to 50% or greater of the vote or value of Sub 6 within the meaning of section 304(c).

RULINGS

Based solely on the information submitted and representations made above, we rule as follows.

The Liquidations

(1) For federal income tax purposes, the Check the Box Elections was treated as if Sub 7 and Sub 8 each distributed its respective assets and liabilities to Sub 5 in complete liquidation of Sub 7 and Sub 8 under section 332.

(2) No gain or loss was recognized by Sub 5 on the deemed receipt of the assets and assumption of the liabilities of Sub 7 and Sub 8 in the Liquidations (section 332(a)).

(3) No gain or loss was recognized by either Sub 7 or Sub 8 on the deemed distribution of their respective assets and assumption of their respective liabilities in the Liquidations (section 337(a)).

(4) The basis of each asset of Sub 7 and Sub 8 deemed received by Sub 5 was the same as the basis of that asset in the hands of Sub 7 and Sub 8, respectively, immediately before the Liquidations (section 334(b)(1)).

(5) The holding period of each asset in the hands of Sub 5 included the period during which Sub 7 and Sub 8 held each asset, as applicable (section 1223(2)).

(6) Sub 5 succeeded to, and took into account, the items of Sub 7 and Sub 8 described in section 381(c), subject to the conditions and limitations specified in sections 381, 382, 383, and 384, and the regulations thereunder (section 381(a)(1) and Treas. Reg. § 1.381-(a)(1)). Sub 5 will succeed to and take into account the earnings and profits of Sub 7 and Sub 8 as of the date of the Liquidations (section 382(c)(2)(A) and Treas. Reg. § 1.381(c)(2)-1).

The Reorganization

(7) For federal income tax purposes, the Sub 3 Election and the Merger will be treated as a transfer by Sub 5 of all of its assets to and the assumption of its liabilities by Sub 3 solely in exchange for all of the stock of Sub 3.

(8) The Reorganization will constitute a reorganization within the meaning of section 368(a). Sub 3 and Sub 5 will each be a “party to the reorganization” under section 368(b). The deemed transfer of the Additional Assets and the Debt Assumptions will not prevent the Reorganization from constituting a reorganization within the meaning of section 368(a).

(9) No gain or loss will be recognized by Sub 5 upon the deemed transfer of its assets to Sub 3 in the Reorganization in exchange for all the stock of Sub 3 and the deemed assumption by Sub 3 of the liabilities of Sub 5 in the Reorganization (section 361(a) and section 357(a)).

(10) No gain or loss will be recognized by Sub 3 upon the deemed receipt of Sub 5's assets in exchange for all of the stock of Sub 3 in the Reorganization (section 1032(a)).

(11) The basis of the Sub 5 assets held by Sub 3 will be the same as the basis of such assets in the hands of Sub 5 immediately prior to the Reorganization (362(b)).

(12) The holding period of the Sub 5 assets held by Sub 3 will include the period during which such assets were held by Sub 5 (section 1223(2)).

(13) No gain or loss will be recognized by Sub 2 on the deemed exchange of its shares of Sub 5 for Sub 3 stock pursuant to the Reorganization (section 354(a)).

(14) Sub 2's basis in the Sub 3 stock deemed received in the Reorganization will be the same as Sub 2's basis in the Sub 5 stock deemed exchanged in the Reorganization (section 358(a)).

(15) Sub 3 will succeed to, and take into account, the tax attributes of Sub 5 described in section 381(c) (section 381). These items will be taken into account by Sub 3 subject to the conditions and limitations specified in sections 381, 382, 383, and 384 and the Regulations thereunder.

(16) Sub 2 will be deemed to sell the Additional Assets to Sub 3 equal to the lesser of the fair market value of the Additional Assets or the amount of the Debt Assumption (section 1001 and Treas. Reg. § 1.301-1(j)).

(17) The excess of the Debt Assumption over the fair market value of the Additional Assets will be treated as a distribution of property from Sub 3 to Sub 2 that is separate from the Reorganization (the "Distribution") (Treas. Reg. § 1.301(1)-1(j) and 1(l)).

(18) Sub 2 will treat the Distribution as (i) a dividend with respect to each outstanding share of Sub 3 stock to the extent of Sub 3's earnings and profits (which includes Sub 5's earnings and profits (the "Combined E&P")) (section 301(c)(1) and (section 316); (ii) the portion of the Distribution in excess of the Combined E&P will be applied against and reduce (but not below zero) Sub 2's basis in each share of Sub 3 stock (which includes Sub 2's basis in the Sub 5 stock) (section 301(c)(2)); and (iii) as gain from the sale or exchange of property to the extent of any portion remaining (section 301(c)(3)). Rev. Rul. 70-240, 1970-1 C.B. 81 and *Davant v. CIR*, 366 F.2d 874 (5th Cir. 1966).

The Sub 6 Stock Transfer

(19) The Sub 6 Stock Transfer will qualify as a taxable exchange under section 1001(a).

CAVEATS

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the Proposed Transaction under other provisions of the Code or the regulations, or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that are not specifically covered by the above rulings. In particular, no opinion is expressed regarding the tax consequences of the Sub 4 Note Exchange. Further, this office has not reviewed any information pertaining to and has made no determination concerning whether any gain recognized as a result of the Sub 6 Stock Transfer, or any gain recognized under section 301(c)(3) as a result of the deemed transfer of the Additional Assets in exchange for the Debt Assumption, is recharacterized as a dividend pursuant to sections 964(e) and 1248.

PROCEDURAL STATEMENTS

This ruling letter is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter ruling is being sent to your authorized representative.

A copy of this letter ruling must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

Sincerely,

Isaac W. Zimbalist
Senior Technician Reviewer, Branch 5
Associate Chief Counsel (Corporate)

cc: